

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6909

BILL NUMBER: HB 1643

DATE PREPARED: Dec 26, 2000

BILL AMENDED:

SUBJECT: Privatization Procedures.

FISCAL ANALYST: John Parkey

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FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides that a solicitation for a contract between a governmental body and a contractor to perform any of the functions of the governmental body that are currently performed by the governmental body's employees must:

- (1) require an offeror to provide objective, verifiable evidence satisfactory to the governmental body that if the offeror is awarded a contract, the cost of the contract over the term of the contract will be less than the cost that the governmental body would incur if performing the functions covered by the contract with the governmental body's employees over the term of the contract; and
- (2) require the inclusion in the contract of a provision that the governmental body may not pay to the contractor during the term of the contract more than the cost that the contractor determined the governmental body would incur to perform the functions with the governmental body's employees.

The bill provides that an offeror for such a contract may not be considered responsive if the offeror does not provide the required evidence. This bill also requires such contracts to contain the provisions required by the solicitation.

Effective Date: July 1, 2001.

Explanation of State Expenditures: To the extent that it would require state entities to perform a cost analysis before allowing a private contractor to perform services that are currently performed by a governmental body's employees, this bill may increase the administrative costs of state agencies. The bill may also influence private contractors to increase their bids to perform services in order to reduce risks and to cover any additional cost incurred by conforming to the changes in the solicitation process proposed by this bill.

Despite the potential for additional costs, the bill also has the potential to provide the state with cost savings

if contractors offer to perform a service for an amount less than what would have been bid had the results of the cost analysis not been known. State expenditures may also be reduced if, upon performing the cost analysis required by this bill, a state agency that was to contract services finds that state employees are able to perform the services for less than any bid submitted by a private contractor.

Explanation of State Revenues:

Explanation of Local Expenditures: The costs and savings described for state agencies above would also apply to the contracting of services by local entities.

Explanation of Local Revenues:

State Agencies Affected: Department of Administration; other agencies which contract for services currently performed by governmental employees.

Local Agencies Affected: Entities which contract for services currently performed by governmental employees.

Information Sources: Jay McQueen, Department of Administration, (317) 232-7636.